
Finance Committee

HB 3303

Brief Description: Providing a business and occupation tax credit for qualified preproduction development expenditures for polysilicon manufacturers.

Sponsors: Representatives Grant, Walsh, Haler and Linville.

Brief Summary of Bill

- Establishes a new B&O tax credit for pre-production expenses of a polysilicon manufacturing facility.

Hearing Date: 2/6/08

Staff: Don Taylor (786-7388).

Background:

Washington's principal tax on businesses is the state business and occupation (B&O) tax. The B&O tax applies to the gross receipts derived from engaging in business. Although the tax does not reflect the cost of doing business, there are a variety of exemptions, deductions and other tax incentives permitted by law. Major tax rates are 0.484 percent for manufacturing and wholesaling; 0.471 percent for retailing, and 1.5 percent for services; several lower rates also apply to specific business activities. The B&O tax generates about 16 percent of all state tax collections; most of the receipts are deposited in the state general fund.

Summary of Bill:

A new credit from B&O tax liability is established for pre-production development expenditures by a polysilicon manufacturing firm. The credit applies to expenditures made after January 1, 2008; however the credit cannot be taken until July 1, 2009. Unused credits earned prior to July 1, 2009, may be carried forward until fully utilized; however credits accruing after that date may not be carried forward and must be used to offset B&O tax liability incurred the same calendar year. The amount of credit equals 1.5 percent of the qualifying expenditures. In order to qualify for the credits, the amount of pre-production expenditures by the firm must total at least \$500 million; thus the minimum tax credit would be \$7.5 million.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Qualified expenditures include wages, benefits and training of employees involved in the design and engineering of a polysilicon manufacturing facility, as well as all capital costs and overhead, including the cost of land, structures and acquisition of utility services.

The investment must occur in a county which borders Oregon and has a population between 50,000 and 100,000 (potentially either Cowlitz or Walla Walla counties).

Credits must be claimed by applying to the Department of Revenue. Annual reporting of employment and other data is required by participants.

This legislation is null and void if a port district does not sign a memorandum of understanding with a qualifying polysilicon manufacturer by October 1, 2008 to locate a facility within the county.

(Note: a reference to manufacturer of commercial airplanes in Section 1(5)(a) is believed to be a drafting error).

Appropriation: None.

Fiscal Note: Requested on February 2, 2008..

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.